

## Message Text

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PAGE 01 STATE 063595  
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DRAFTED BY: EUR/WE:GFOURIER

APPROVED BY: EUR/WE:EMROWELL

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O 222204Z MAR 77

FM SECSTATE WASHDC

TO AMEMBASSY BONN IMMEDIATE

S E C R E T STATE 063595

FOLLOWING REPEAT LISBON 2002 ACTION SECSTATE DTD 14 MAR

QTE

S E C R E T LISBON 2002

DEPT PASS TREASURY FOR SYVRUD

DEPT PASS ROWELL, EUR/WE

E.O. 11652: XGDS

TAGS: EFIN, ECON, PO

SUBJECT: PORTUGAL'S 1977 BALANCE OF PAYMENTS -  
PRELIMINARY ESTIMATE

1. FOLLOWING IS EMBASSY'S PRELIMINARY PROJECTION FOR PORTUGAL'S 1977 BALANCE OF PAYMENTS. AMONG BASIC ASSUMPTIONS UNDERLYING PROJECTION ARE: 4 PERCENT INCREASE IN PORTUGAL'S GNP; 6 PERCENT INCREASE IN WORLD PRICES; 5 PERCENT GROWTH IN GNP OF PORTUGAL'S MAJOR TRADING PARTNERS; CONTINUATION OF EXISTING SURCHARGE TAXES AND PRIOR DEPOSIT REQUIREMENTS; LESS THAN FULLY EFFECTIVE QUOTAS ON IMPORTS; RELATIVELY EASY MONETARY POLICIES DURING MOST OF 1977; CONTINUED PRESSURE ON PORTUGUESE IMPORTERS TO

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PAGE 02 STATE 063595

OBTAIN FOREIGN FINANCING, TAKING INTO ACCOUNT PORTUGAL'S HEAVY USE OF SHORT-TERM CREDITS IN 1976. THE CAPITAL ACCOUNT ASSUMES ALSO THAT U.S. ESF LOAN WILL BE REPAID DURING 1977 FROM IMF DRAWINGS AND GOLD SALES, THAT CAPITAL FLIGHT WILL CONTINUE, AND THAT BANK OF PORTUGAL WILL ROLL OVER THE CENTRAL BANK LOANS MATURING THIS YEAR. IF THIS LAST ASSUMPTION PROVES WRONG, EMBASSY BELIEVES LOANS WILL BE REPAID FROM GOLD

HOLDINGS. SUCH GOLD REPAYMENTS WOULD THEN BE ADDED TO  
PROJECTED PLANNED GOLD SALES.

2. PORTUGAL'S BALANCE OF PAYMENTS  
(MILLIONS OF DOLLARS)

PROJECTED 1977

I. CURRENT ACCOUNT	-1256
A. MERCHANDISE	-1,950
1. EXPORTS (F.O.B.)	2,050
2. IMPORTS (F.O.B.)	-4,000
B. INVISIBLES (NET)	694
1. TOURISM	250
2. TRANSPORTATION	- 180
3. INSURANCE	- 6
4. INVESTMENT INCOME	- 170
5. TRANSFERS	980
6. INTEREST ON FOREIGN DEBT	- 110
7. OTHERS	- 70
II. CAPITAL ACCOUNT	-1,025
A. SHORT TERM (NET)	200
B. MEDIUM AND LONG TERM	-1,225
1. DEBT AMORTIZATIONS (NET)	-1,500
2. FOREIGN INVESTMENTS (NET)	- 70
3. MEDIUM AND LONG TERM CREDITS	345
A. WORLD BANK	(20)
B. EFTA	(15)
C. EUROPEAN COMMUNITY	(35)

SECRET

SECRET

PAGE 03 STATE 063595

D. OTHER MULTILATERAL	(10)
E. U.S. - PL480	(50)
F. U.S. - CCC	(100)
G. U.S. - AID	(35)
H. OTHER BILATERAL AID	(30)
I. SUPPLIER CREDITS	(50)

III. POTENTIAL DEFICIT -2,281

IV. COMPENSATORY MOVEMENTS 1,422

A. LOANS BANK OF PORTUGAL	
SEEKING ROLL-OVER	1,065
1. SWISS CENTRAL BANK	50
2. PORTION OF 1976 EUROPEAN	
CENTRAL BANK LOAN OF \$250	
MILLION DRAWN IN 1976	165
3. BIS	500

4. GERMAN CENTRAL BANK	250
5. BIS NINE MONTH LOAN OF FEBRUARY 1977	100
B. IMF CREDITS	132
1. C.F.F.	35
2. STANDBY AGREEMENT FOR TWO TRANCHES	97
C. PENDING EUROPEAN CENTRAL BANK LOAN	40
D. REMAINDER OF 1976 EUROPEAN CENTRAL BANK LOAN OF \$250 MILLION	85
E. PLANNED GOLD SALES	100
V. REMAINING DEFICIT GAP	859

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## Message Attributes

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